A bipartisan, bicameral group of lawmakers called on regulators Wednesday to scale back a proposed mortgage finance rule they worry could make it harder for many Americans to buy a home.

Last year's financial regulatory overhaul (PL 111-203) required companies that package and sell mortgage-backed securities to retain at least a 5 percent exposure to the loans included in the bond, often called risk retention. Lawmakers hoped firms with "skin in the game" would be less likely to make bad loans, because even after they had sold the loans they would still have a financial interest in a homebuyer making their payments.

But some lawmakers, joined by a coalition of financial industry and consumer groups, are battling over what kind of loans will be exempt from the 5 percent exposure requirement. Many banks would likely charge higher interest rates for home loans to offset that exposure.

The law included an exemption on securities that held "qualified residential mortgages," or loans that were considered extremely safe. In March, regulators proposed making qualified mortgages require as much as 20 percent down payment from borrowers — a decision blasted by lawmakers, as well as industry groups and consumer advocates.

"The strict, inflexible restrictions proposed by banking regulators could put home ownership out of reach for many creditworthy American families," said Sen. Kay Hagan, D-N.C., who helped draft the provision providing for the risk retention exemption. "This misinterpretation of our intent could unnecessarily slow the housing market's recovery and prevent well-qualified, middle-class families from securing an affordable mortgage."

Hagan spoke at Wednesday's press conference along with Sen. Johnny Isakson, R-Ga., as well as **Rep. John Campbell**, R-Calif., and Rep. Brad Sherman, D-Calif.

"I am thoroughly disappointed that the regulators did not follow our legislative intent and instead are promulgating a rule that would restrict access to affordable mortgages in this country," said Isakson, a former real estate company executive.

The lawmakers were joined by members of the Coalition for Sensible Housing Policy, which boasts more than 40 consumer and industry groups, including the Mortgage Bankers Association and the Consumer Federation of America.

The coalition also released a white paper that called on regulators to redesign the rule to “encourage sound lending behaviors that reduce future defaults without harming responsible borrowers and lenders.”

Despite the many differences that exist between the parties when it comes to housing finance policy, this is one area that has attracted a good deal of bipartisan unity: 39 senators and more than 250 representatives have released letters calling on regulators to rethink the rule.

Regulators earlier this month extended the deadline for public comment on the proposal from June 10 to Aug. 1. Several regulators helped write the draft rules, including the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Still, it is unclear to what extent regulators may be willing to change their proposal.

“The QRM is the exception, not the rule, and as such, I believe should be narrowly drawn,” said FDIC Chairwoman Sheila C. Bair, in a statement upon unveiling the proposal. “This does NOT mean that under the rule, all home buyers would have to meet these high standards to qualify for a mortgage. On the contrary, I anticipate that QRMs will be a small slice of the market, with greater flexibility provided for loans securitized with risk retention or held in portfolio.”